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COPY NO. 39

CENTRAL INTELLIGENCE AGENCY  
OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

Date: JUL 13 1951

- NOTE: 1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.
2. Comments represent the preliminary views of the Office of Current Intelligence.
3. Marginal letter indications are defined as follows:
- "A" - items indicating Soviet-Communist intentions or capabilities
  - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
  - "C" - other information indicating trends and potential developments

DIA AND DOS review(s) completed.

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"C" EASTERN EUROPE. BULGARIA. Alleged Yugoslav Agents Convicted. The Sofia court on 11 July tried and sentenced 8 Bulgarians and 4 Yugoslavs accused of espionage for the Yugoslav Government. One group of 6 Bulgarians allegedly fled from Vidin province (adjoining the Yugoslav border) in March, were recruited and trained by the Yugoslav Security Police, and "entrusted with the task of carrying out terrorist and subversive activities in Bulgaria, murdering village party leaders, chairmen of people's councils, chairmen and leaders of cooperative farms, and to undermine the work of cooperative farms." Within two months they returned to Bulgaria armed with rifles and submachine guns where they were immediately apprehended "thanks to the vigilance of the frontier populations." [REDACTED]

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COMMENT: The speed in which the Bulgarian defendants were trained as agents in Yugoslavia and returned to Bulgaria makes the Bulgarian allegations highly suspect. The largest number of defectors among the hundreds of Bulgarians who have fled to Yugoslavia during the past six months have come from the Vidin region. It is likely that the six defendants were seized while attempting to escape from Bulgaria and rushed to trial for the purpose of attempting to convince potential defectors to Yugoslavia that a similar fate awaits them.

"B" HUNGARY. Country Exhorted to Gather Bumper Harvest. According to the American Legation in Budapest, the Hungarian Government has inaugurated an intensive campaign for the collection of the coming harvest. The Minister of Agriculture has appealed for an early beginning to the harvesting, and the Food Minister has promised that a successful harvest will help to solve many of the current economic difficulties facing Hungary. He has warned his listeners, however, that meat will continue to be scarce until October or November when the cattle will have been fattened on the increased supplies of fodder. [REDACTED] COMMENT: A drought last year reduced the Hungarian harvest by 10% of its normal size. Since Hungary continued to honor its export commitments, meat and grain products became increasingly scarce, causing growing discontent among the population. A bumper crop this summer should be followed by improved morale and increased production on the part of the Hungarian workers.

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SECTION 2 (EASTERN)

"B" IRAQ. Iraqi Prime Minister Now More Difficult On Oil Negotiations. The Manager of the Iraq Petroleum Company (IPC) appeared depressed, according to the US Ambassador in Baghdad, following his 10 July interview with the Iraqi Prime Minister, who was less tractable than he had been a month ago. The Prime Minister concentrated his discussion on small points, which the Manager thought had been discussed previously and discarded. As outlined by the Prime Minister, Iraq wants a simple, lasting settlement, but wants Iraq's revenue to be increased to equal any amount that Iran may obtain. Ambassador Crocker comments that although neither he nor the Company Manager can explain the Prime Minister's hardened attitude, he thinks it may be merely a negotiating tactic. [REDACTED] COMMENT: The Prime Minister's more difficult attitude, although perhaps only a maneuver, may also reflect his realization of the rising tide of domestic sentiment in favor of nationalization of the oil industry. The negotiations are at an extremely delicate stage. Delay will enable extremist elements to arouse public opinion; a speedy settlement will be suspect as sacrificing Iraq's just claims. The press report released by Iraq on 11 July stating that agreement had been reached, may have been an attempt to calm public opinion but may result in an opposite reaction when no results follow.

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"C" INDIA. Protest to Pakistan Regarding Treatment of Minorities. On 11 July, an official of the Indian Ministry of External Affairs, confirmed press reports that the GOI has made an official protest to the GOP concerning the treatment of Indian minorities in East Pakistan. The GOI claims that a sudden influx of Hindus from East Pakistan into India has been caused by the aggressive statements of Pakistani leaders regarding India's intransigence on Kashmir. [REDACTED] COMMENT: Neither country is guiltless in the matter of making rash statements concerning Kashmir. Furthermore, statistics regarding numbers of refugees are suspect since they are used by both sides for propaganda purposes. The GOI, in this official protest to Pakistan, undoubtedly is seeking to impress Dr. Graham, the UN representative now in Kashmir, with the righteousness of its case in the Kashmir dispute. [REDACTED]

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"B" THAILAND. Embassy Recommends Continued Military Assistance. US Embassy Bangkok recommends that the MDAP program in Thailand for the 1951 fiscal year continue unchanged, except with regards to navy material. The Embassy admits that the recent attempted coup, with its implications of continued instability and possible future change of government and reorientation of Thai foreign policy, increases the risk that was accepted in initiating the program. It is pointed out, however, that the program has done much to align Thailand with the US against Communism and has improved Thailand's ability to resist external aggression. These gains, the Embassy feels, would probably be cancelled if the program is subject to substantial modification. [REDACTED]

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"C" CHINA. Puppet Party Leaders Fall from Favor. [redacted] informed US ConGen Hong Kong of the execution, several months ago, of a Kuomintang Revolutionary Committee (KMTRC) leader in Honan. ConGen comments that the report adds credibility to press accounts and rumors of the arrest of "many" KMTRC members during the 1951 "suppression of counter-revolutionaries" campaign. ConGen adds that there have been recent rumors of the imminent defection of LI Chi-shen, Chairman of the KMTRC. [redacted] COMMENT: In March 1951 the Communist press and other sources reported that the Peiping regime planned to take severe action against "counter-revolutionaries" who had attached themselves to the governmental apparatus through the non-Communist puppet parties, and in April a Communist press release revealed that 55 members of the KMTRC had been ~~expelled~~, some of whom were "under arrest." LI Chi-shen, like other puppet party leaders, is certainly powerless and probably disaffected, but it is questionable that the Peiping regime will give him or any other of these leaders an opportunity to escape.

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"C" CHINA. Shanghai Mills Reported Reopened. Peiping, in a 9 July broadcast, announced that "practically every mill in East China's textile industry has resumed operation." No reference is made to their closure on 6 June or to the country-wide cotton collection campaign. [redacted] COMMENT: The mills were scheduled to reopen on 21 July after being closed down for a month and a half due to a severe cotton shortage. It is not believed that the government has sufficient raw cotton to permit full operation before the new crop is available this fall.

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"C" JAPAN. Red Cross to Dispose of Japanese External Assets. The International Committee of the Red Cross announced that it would accept the proposed task of distributing Japanese assets in neutral and ex-enemy countries. According to the draft peace treaty, the assets will be used to aid former prisoners of the Japanese and their families. [redacted] COMMENT: The Japanese had been resigned to the loss of assets in Allied countries, but had hoped to retain those in neutral and ex-enemy countries. They undoubtedly were relieved to learn, however, that Government-owned stocks of precious metals in Japan will not be utilized for reparations.

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SECTION 3 (WESTERN)

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"B"

Allies Will Not Hold Talks with USSR on Berlin Trade until Current Soviet Restrictions Cease. HICOM has authorized the Allied Commandants in Berlin to notify their Soviet counterpart, S. A. Dengin, that their experts will be authorized to resume talks with the USSR on Berlin trade problems only when the present Soviet harassing tactics against West Berlin's exports cease. The USSR has suggested that the next quadripartite meeting of experts be held on 17 July at the Soviet headquarters in Berlin. Despite French reluctance, HICOM agreed to apply economic countermeasures if Soviet obstruction continued after 17 July.

COMMENT: The Allies are also planning to hold up approval of the new interzonal trade pact between East and West Germany, until the USSR ceases present restrictions on Berlin exports. During the past week, Allied representatives attended two largely unproductive sessions with the Soviet experts discussing Berlin trade difficulties.

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News of Thorez' Death Circulated. According to a Reuters dispatch from Stockholm, the news of the death of Maurice Thorez, Secretary General of the French Communist Party (PCF), was circulated during the recent meeting of the Polish Communist Central Committee. The news supposedly is being kept secret in order to give the Communist Parties in Moscow and Paris time to prepare official statements and to arrange funeral details. Upon inquiry, the PCF press chief stated that the reports were "impossible" and that first-hand information as of 11 July was that Thorez' condition was satisfactory. [REDACTED]

[REDACTED] COMMENT: Thorez has been convalescing in the USSR following a cerebral hemorrhage last fall. His absence, is increasingly embarrassing to the PCF.

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UNION OF SOUTH AFRICA. Low Morale in Armed Forces. Senior South African air force and army officers have confidentially informed the US Air Attaché that the morale of Union defense forces is at the lowest state in 25 years. The US Air Attaché comments that the low morale will cause a serious breakdown in air force efficiency in the near future. [REDACTED]

COMMENT: The low morale and unrest stems mainly from the Nationalist Government's policy of favoring Afrikaner elements within the services. Even without this problem the defense forces' inefficiency and lack of equipment already seriously limit the Union's ability to contribute effectively to Commonwealth or UN defense.

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"B" ECUADOR. Financing of Delegates to Berlin Youth Festival. Nine Communists and left-wing Socialists have departed from Ecuador to attend the Berlin Youth Festival. The Quito city council contributed about \$300 toward their trip, a contribution which was made, according to the Mayor of Quito, "on a cultural basis". The Mayor also stated that the President of the Communist-dominated student federation (FEUE) had indicated to him that the Ministry of Education and the Casa de la Cultura had also contributed. The Corporación de Fomento, an independent agency of the Ecuadoran government, donated \$600, and press reports state that the Guayaquil city council also helped. [REDACTED]

25X1 [REDACTED] COMMENT: This is a considerably larger delegation than has been sent by Ecuador to any international Communist conference heretofore. Although some money was evidently raised locally there is little doubt that the larger part of the delegates' expenses is being financed from abroad. With regard to the money obtained locally, no evidence is yet available to confirm the FEUE leader's assertion about contributions by the Ministry of Education and the Casa de la Cultura. The donation by the Guayaquil city council is not surprising since Communists have recently been able to obtain influential positions in Guayaquil municipal affairs

25X1 [REDACTED] The contributions by the Corporación de Fomento and the Quito city council are surprising, however. Since a pro-Communist orientation of a majority of the Corporación's directorate is most unlikely, and since the Quito city council is predominantly Conservative and the Mayor is allied with a violently anti-Communist group, the only apparent explanation appears to be a naiveté regarding the Communist nature of the festival. A similar situation redounded to the benefit of Ecuadoran Communists last summer, when lack of publicity revealing the Communist nature of the Stockholm Peace Petition enabled them to collect the signatures of many important public officials.

"C" FRENCH WEST INDIES. Communists Retain Strength in Martinique. In the recent national elections in the French West Indies the Communists have succeeded in retaining their two seats in Martinique and one in Guadeloupe. The Socialists won the third seat in Martinique and one in Guadeloupe. The third deputy in Guadeloupe will be a representative of the Rally of the French People. Despite reduced registration in Martinique the Communists received about 63% of the votes and consequently reelected their two incumbent deputies, Aimé Césaire and Léopold Bissol. The Socialists, although remaining the second largest party and reelecting their deputy, Emanuel Véry,

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25X1 declined both numerically and proportionately. The Popular Republicans (moderates) increased somewhat in strength but did not gain enough to challenge the Socialists. 25X1

COMMENT: The Communists continue to be a potent force in the French West Indies. The decision in 1946 to elevate these two colonies to the rank of departments and so "end" their colonial status was taken primarily as a move to counteract Communism. However, it has provided the Communists with an excellent propaganda argument namely, that all social benefits granted to metropolitan Frenchmen have not been given to the islanders despite their new status. While social reforms in the French West Indies, as in other European Caribbean possessions, represent largely a problem for the home government, Communist strength and tactics in these islands do concern US security interests.

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CENTRAL INTELLIGENCE AGENCY

DAILY DIGEST SUPPLEMENT

JUL 13 1951

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CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE  
DAILY DIGEST [REDACTED]

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13 July 1951

SECTION 1 (SOVIET)

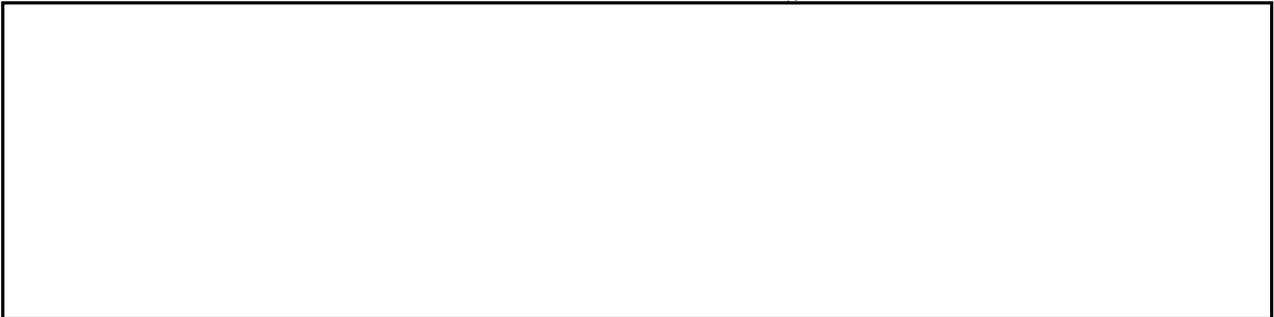
25X1 "A" USSR. USSR Maintains Aloofness from Korean Developments. In a conversation regarding Korean armistice talks with the French Ambassador in Moscow, Soviet Deputy Foreign Minister Bogomolov maintained the position that the Soviet Government is not involved in the Korean affair, saying that an armistice was for the military commanders to conclude. When asked his views of final settlement, Bogomolov confined himself to saying that the first step was an armistice and that often the first step was the most difficult to take. Ambassador Kirk comments that the Chinese and North Korean Communists are apparently trying to insert both political and territorial aspects in the armistice talks despite Gromyko's emphasis that such topics were to be avoided. [REDACTED] COMMENT: Communist propaganda and Peiping radio's cease-fire proposals indicate that the Communists are attempting to negotiate a return to the division of Korea along the 38th Parallel in order to avoid making concessions on this point in subsequent discussions on a general settlement. Military preparations continue to point to a Communist intention to maintain hostilities if they fail to secure their objective by political means. There are indications that if a cease-fire is achieved Communist demands concerning Formosa, the UN, and the Japanese peace treaty will be advanced at subsequent political discussions in addition to the already explicit demand for the withdrawal of all foreign forces from Korea.

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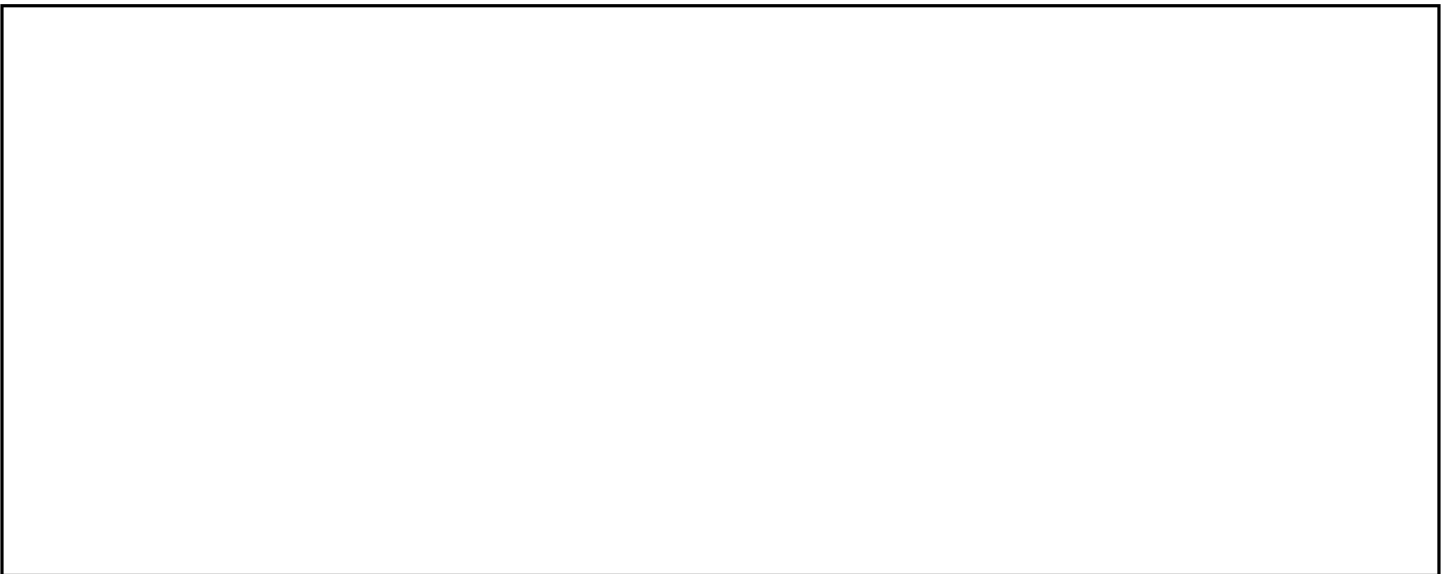
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"C" INDOCHINA. Bao Dai Wants Personal Loyalty from Army. Bao Dai told Minister Heath that the transfer of the Vietnam Army from French to Vietnamese control should be accelerated and the primary loyalty of the army should be directed to himself as chief of state. He stated that the idea of loyalty to the "patrie" was too new in Vietnam to provide the necessary motivation and binding force.  COMMENT: As in most Oriental governments the idea of loyalty to an individual as distinct from loyalty to the nation probably plays a more important part than it does in the West. It has long been recognized, however, that the feeling of nationalism is particularly intense in Vietnam. Bao Dai owes his present position largely to French sponsorship, rather than to any general and spontaneous feeling of loyalty to him on the part of the Vietnamese people. Bao Dai may be losing sight of the fact that his "popularity" does not rest on a solid foundation.

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"B" PHILIPPINES. Romulo Urges Recognition of Japanese Reparations Responsibility in Draft Treaty. At the suggestion of Ambassador Cowen, Philippines Foreign Affairs Secretary Romulo has submitted a revision of the reparations clause which he believes will satisfy Philippine objectives. His rewording provides for an unqualified recognition that Japan "should pay reparation" for war damage and demands that Japan enter into negotiations with Allied powers so desiring "with a view to assisting to compensate those countries for the cost of repairing the damage done." Ambassador Cowen urges serious consideration of Romulo's revision. He is convinced that the Philippines is more interested in establishing the principle of Japanese war guilt and responsibility for reparations payments than in the amount of reparations or the method of collection. Cowen believes that acceptance of the treaty in its present form by the Philippine Government would render it vulnerable to violent criticism from many segments of the Philippine community and that refusal to consider Philippine feelings would probably have an adverse effect upon US-Philippine relations. [REDACTED] COMMENT: Differences between the current draft treaty and Romulo's version are (1) the omission by the latter of the clause that "Japan lacks the capacity" to make adequate reparation—a point which the Philippines refuse to admit—and (2) the omission in Romulo's version of the types of assistance which Japan could give war damaged countries. The Philippines apparently wishes to leave this matter open to bilateral negotiation.

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